

The AMERICAN OBSERVER

A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Monroe



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Country Faced With Question of Inflation

Demands for Printing Large Quantities of Paper Money Increase in All Sections

ANALYSIS MADE BY MOULTON

Brookings Economist Discusses Various Types of Inflationary Measures

Rapidly increasing demands for inflation coming from all parts of the country constitute one of the most pressing problems confronting governmental officials and the nation today. The following article, written by HAROLD G. MOULTON, president of THE BROOKINGS INSTITUTION and member of the Editorial Board of THE AMERICAN OBSERVER, gives a background to that important question. Later issues of THE AMERICAN OBSERVER will treat the various aspects of the growing issue of inflation.

Ever since the new administration in Washington came into power there has been almost continuous discussion of the prospects for and the possible results of so-called "inflation." In the public press, on the streets, and at the dinner table it is the favorite subject of discussion. "What do you think about the prospect for inflation?" is the leading question wherever people assemble for the purpose of more or less serious discussion.

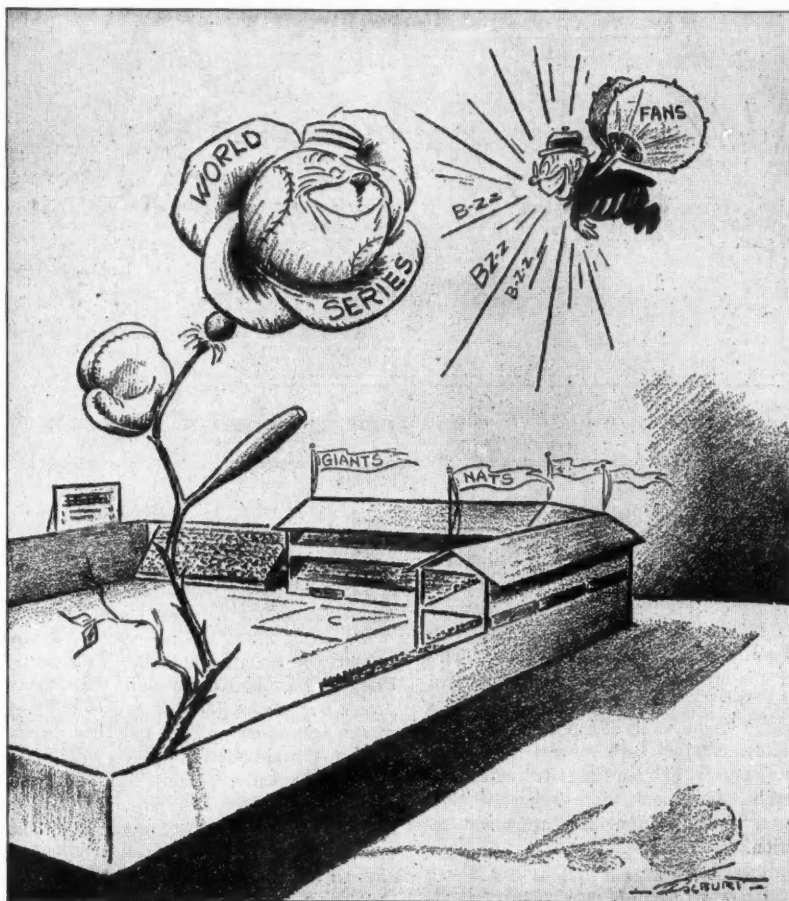
What Is It?

"Inflation" is one of those words which has a multitude of meanings, or rather implications. When asked the question, "Do you think we are going to have inflation?" or "Don't you think inflation will be necessary before we get out of our difficulties?" I find it necessary to inquire of the questioner, "What, exactly, do you mean by the term 'inflation'?" At least half of the people who use the term stammer and don't answer at all; the other half of the people vaguely suggest that it means skyrocketing prices—which to some of them suggest recovery and to others disaster.

Apparently the one common thought in the minds of people who use the term is that "inflation" involves a more or less rapid rise of prices. In this respect the popular conception of the meaning of the term is correct enough, for a rise in prices, in greater or less degree, is an accompaniment of any sort of inflationary process. Note that I use the term *inflationary process*—this because rising prices may be brought about by several different processes or methods. It is precisely because there are several essentially different processes by which a rise in prices may be accomplished—processes which produce very different economic results—that there is so much confusion about the whole subject of "inflation." If we are to gain any clear idea as to the prospect for inflation or the possible results of inflation, we must first have knowledge of the various means by which rising prices may be brought about. This is the primary purpose of the following analysis.

Commercial Inflation

First, there is what may be called ordinary *commercial* inflation. This type of inflation is found in any period of booming (Concluded on page 7, column 1)



THE LAST ROSE OF SUMMER

—Talbot in Washington News

Humdrum Heroes

If one's daily record of achievement is none too bright, he may console himself with the thought that sometime he will turn the corner and give a better account of himself. Perhaps he has not been heroic, he thinks, but what opportunity is there for heroism in the humdrum life of every day? After a while the chance will come, and then he will do really big things. In his daydreams he sees himself meeting heroically a great crisis. He really thinks that he will rise to the occasion when the crisis comes. The day's work appears unimportant and his failure to make much of it seems not so very significant. When the time for unusual effort comes, he will be ready. We know, of course, that in most cases these dreams are vain and idle. One is likely to show his mettle in each day's work and if he fails in the face of small responsibilities, he will fail in the face of large ones. There are, to be sure, exceptions to this rule. Once in a while a man is found who responds to a great occasion and to that alone. An ordinarily quite worthless fellow may play the part of a hero when the call of battle comes. He may give his life to the country in a time of danger; or in time of crisis he may make the great sacrifice for his associates. Such service to one's country or to his fellows is not to be passed by lightly. "Greater love hath no man than this, that a man lay down his life for his friends." Yet even this potential hero leaves much to be desired. One who waits to act worthily until a great hour strikes is likely to live out his life in mediocrity. One cannot spend much time bleeding for his country. He cannot go about day after day dying for his friends. Crises are fortunately rare. The best test of a man's worth is a test applied to his everyday conduct. It matters little that one might be a chivalrous hero if, clad in knightly armor, he should ride away on a white, white horse. It is more important that he should act with courtesy and consideration toward the one at whose side he works today. The most serviceable heroes in the world are the heroes of the humdrum life who fill with color and achievement the days which would otherwise be drab and mean. Those who meet with courage and judgment the problems which arise from day to day can be depended upon when crises come. Meanwhile they will not fold their arms and wait.

European Political Situation Alarming

Powers Confer in Effort to Reconcile Differences Before Arms Parley Is Convened

TALK OF ANOTHER WAR GROWS

Feared that Conflict Is Inevitable Unless France and Germany Agree

With the convening of the League of Nations Assembly on September 25 and the scheduled reopening of the disarmament conference on October 16, Europe begins another of those periods in which the word "dangerous" is used to describe the political situation. To many, it may seem that the European political cauldron has approached the boiling point just a trifle too often in the past to warrant the placing of much credence in the alarming reports which now come to us from across the sea. But it must be remembered that the nations are not crying wolf when actually none is present. A very real wolf—the danger of war—is lurking in the shadows of Europe and there is thus good reason for the continuously disturbed political atmosphere. And it is worth recalling that in the years preceding the World War similar recurring crises shook the capitals of Europe. A number of observers see in today's events, the same unmistakable drift toward war which existed prior to 1914.

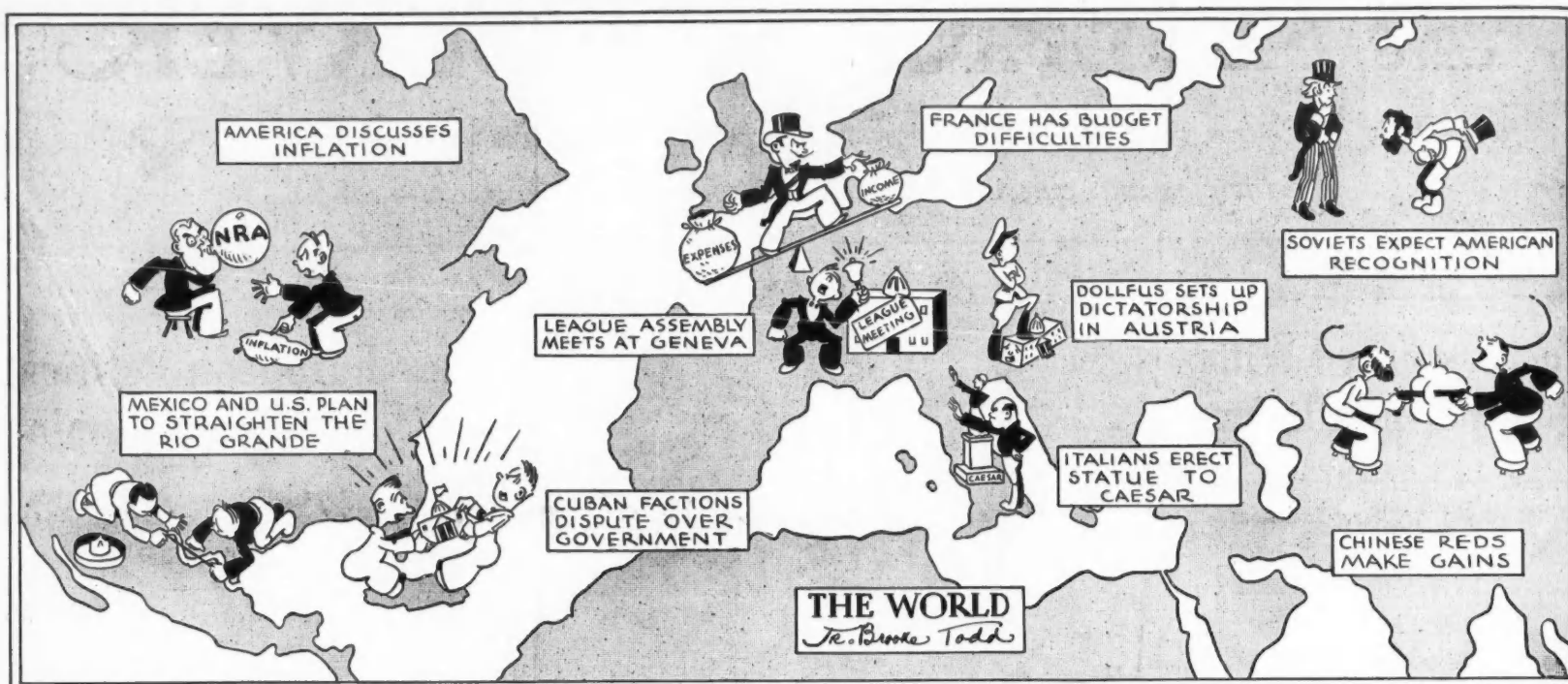
The Arms Issue

At this moment, therefore, an almost frantic effort is being made to check the ominous trend. Statesmen are cooperating more closely than they have in months in order to insure the bringing about of some agreement when the disarmament conference meets. It is unanimously agreed that if anything is to be done with regard to armaments limitation it must be done soon. The conference cannot longer be permitted to linger fruitlessly as it has for the last twenty months. Decisions must come quickly or Europe must prepare itself for an inevitable war.

Concretely the situation is this. Germany, under the militant leadership of Adolf Hitler, clamors for equality in armaments with other powers. The Germans point out that the Treaty of Versailles practically disarmed them with the pledge that general disarmament would follow. But as a matter of fact Germany's neighbors have not reduced their armaments. And now, the Germans say, after fourteen years Germany is tired of waiting. Either the other nations must begin to reduce their armaments or Germany will consider herself no longer bound by this section of the treaty. She will withdraw from the disarmament conference and possibly from the League of Nations as well and will deal with her armaments problem to suit herself.

Present Conflict

The other powers, led by Great Britain, France and Italy, have recognized that there is justice to Germany's claim. They have committed themselves to the principle of giving Germany the equality she seeks, not, however, through the rearming of that country but through a gradual reduction in their own armaments. This con-



AROUND THE WORLD WITH THE AMERICAN OBSERVER CARTOONIST

cession was made some months ago when Germany first threatened to bolt the Geneva conference. But since then it has been maintained (by France particularly) that a different situation has arisen. Germany is now dominated by a man who came into power largely because of his promise to restore the country to the position of prominence it enjoyed before the war. The breaking down of the Versailles Treaty and the restoration of some of Germany's former territory are part of his program. France, naturally, has taken alarm and claims that she cannot now consider a reduction in armaments in the face of this new and dangerous threat to her security. Germany must be brought into hand before France can revise her armed strength.

How to reconcile this difference, how to keep Germany from leaving the conference and at the same time soothe the fears of France, is the hard problem now facing European diplomats. During the last few weeks the question has received the closest attention in Paris in conversations among French, British and American statesmen. The scene has now been shifted to Geneva where nearly all the important political personages in international affairs are gathered for the meeting of the Assembly. The crisis is so grave that it has overshadowed the convening of the Assembly, usually one of the year's major international events.

The results of these conversations, it must be admitted, have not been encouraging. The French have been doing everything in their power to induce the British, the Americans and the Italians to stand on a common ground with them before the disarmament conference convenes. They would like to present a united front to Germany, a combination so strong that the Germans would hesitate to defy it. The most important feature of the French plan provided for the establishment of a permanent commission to supervise the armaments of each country. No actual reduction in armaments would be effected until after a four-year trial period in which the good faith of Germany would be tested. At the end of that period, if Germany had shown herself more conciliatory and if she had submitted readily to supervision, France would then be willing to begin a drastic downward revision of her armaments.

French Security

This proposal brings up the same old problem of French security. France has been unofficially accusing Germany of re-arming secretly. It is said that the French have definite proof of this and that the British also have such information. The knowledge of this, naturally, renders the people in France uneasy. They think that

the Germans are playing a double game and that at any moment France may expect an attack. It is even said that the Germans have a carefully prepared plan, by which, if they decide on war, entrance into France will be forced through Switzerland rather than through Belgium. This choice is made, it is reported, in order that Great Britain will not be drawn into the struggle immediately to protect Belgium. It is evident that such reports tend to inflame public opinion and to make the French government more reluctant than ever to consider immediate armament reduction.

Informed persons are of course aware that the army staff of any country is always preparing plans of attack and defense in order to be ready for an emergency. That the military men do this does not mean that a particular plan represents the policy of the country. It is merely part of their technical work. But the average man does not think of this, and when he hears of such a plan he becomes more alarmed than ever.

United Front Lacking

In order to dispel this alarm which has assumed uncomfortable proportions all over France, the French government wants to assure the people that Germany is not going to spend the next several years arming quietly on the side. The only way to do this is to name a commission which will have the power to go into Germany and see for itself just what the Germans are doing in the line of armaments. Once they know that they have nothing to fear

from an increase in German armaments, the French will be willing, after an appropriate trial period, to reduce their own.

However, the French, in their conversations with the British and American delegates in Paris, did not succeed in obtaining the united front they so ardently desired. Both Britain and the United States seem favorably disposed to the idea of armaments supervision but they do not think it would be wise to join a solid block against Germany. They feel that this would not frighten Germany into acceptance but on the contrary would drive her out of both the disarmament conference and the League of Nations. Far better, they think, it is to proceed more cautiously and keep the good will of Germany. And Italy is even more reluctant to consider an affront to Germany. Mussolini, despite his insistence that an Austro-German union must not take place, is sympathetic to Germany. He is anxious to promote a fascist movement anywhere and does not wish to make an enemy of Germany unless that country forces him into such a position by taking action against Austria.

The British, moreover, feel that France, if she obtains the guaranty that armaments shall be supervised, should be willing to begin immediately the armaments reduction instead of waiting for four years. They hope to maneuver in such a way that the French will make a concession in this direction. In a sense, this is a trump card which the British are reserving for the conference. It is possible that by

playing it properly they may be able to lead both France and Germany to an agreement.

The reaction of Germany to all this advance talk has been distinctly unfavorable. It has been announced flatly from Berlin that the Germans will not consider armaments supervision for a minute unless they are first granted equality. They cannot wait four years, or even a year. France must reduce her armaments and, once equality has been established, Germany will be ready to accept supervision, granted, of course, that other nations are similarly treated.

Thus, a head-on clash between France and Germany is in sight. Neither has shown any disposition to step down from the position already established. It will be the task of the British and to some extent the American delegates to bridge the gap between them, if they can. Britain, because of her proximity to Europe will probably figure more largely in this than the United States. However, Norman Davis, the American ambassador-at-large, will doubtless do all he can to conciliate the opposing factions.

The Future

What, we may ask, will happen if France and Germany do not reach an agreement? Guesses are dangerous, but all observers agree that the disarmament conference will promptly collapse, that Germany will leave the League of Nations, which will be a severe blow to that organization especially since Japan has resigned, and that all the nations will fortify themselves for the impending struggle. The French are even talking seriously of a defensive war against Germany. They feel that if a situation arises which makes war appear inevitable, it would be better for them to have it as soon as possible rather than to wait until Germany grows stronger. If France should become convinced of this she could easily seize some pretext and then proceed to crush Germany. But the more serious minded French consider the danger of such a stroke. A broken Germany would almost certainly mean the arrival of communism into the country. The threat this would present to France would be far more serious than the present so-called Hitler peril.

It is hoped, however, that a breakdown of the conference can be avoided. The French are certainly not anxious for it and Germany has no desire for a war at any time in the near future. They both stand to lose, and lose heavily, if they do not reach an agreement. With these considerations in mind it is believed that they will be ready to make concessions which they would not have dreamed of making some months ago.



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PARIS VIEWS THE EUROPEAN POLITICAL SCENE WITH ALARM



WITH the cries for inflation becoming more shrill, President Roosevelt has announced three measures which he hopes will head off the greenback movement. First, he has made plans to lend \$400,000,000 to cotton farmers if they will agree to grow less cotton next year. These loans will enable farmers to meet their living expenses and at the same time to keep the cotton they now have on hand until prices rise.

Second, Mr. Roosevelt has arranged for the Reconstruction Finance Corporation to adopt a more liberal policy in lending to closed banks for the purpose of helping these banks to return part of their depositors' money immediately. It is expected that about \$2,000,000,000 can be restored to bank depositors in the near future.

Lastly, the president has authorized the buying of \$75,000,000 worth of surplus food and clothing materials for distribution among the unemployed. Not only will this action by the government help to relieve distress among the unemployed but it will also help to absorb the overabundance of farm products.

These three measures are designed to increase purchasing power, to provide food and clothing for those in need, and to raise prices by reducing surpluses of farm products. The cotton measure is hoped to satisfy cotton growers who have been the most insistent backers of inflation.

That Everlasting Question!

The news came out last week that Secretary of State Hull was exploring the possibility of recognizing Soviet Russia in the next few weeks. It is believed on good authority, however, that Soviet recognition will not come for another six months or year. Most authorities believe that it will most certainly come by then. They say that the rumors about Secretary of State Hull are partly correct, as he is known to be working out plans to extend a large amount of credit to Russia so she may be able to purchase American products. Moreover, they say, it is very probable that Mr. Hull is drafting plans for a trade treaty with the Soviet government—a treaty which would be a forerunner to actual recognition.

Reichstag Fire Trial

One day last February, the German Reichstag was partially destroyed by a blaze of unknown origin. The National Socialist government, headed by Adolf Hitler, immediately accused several communists of intentionally burning the historic building. These communists are now on trial before the German Supreme Court.

In the meantime, however, Romain Rolland, internationally known French author, and others, claimed they had concrete evidence to prove that high officials of the Nazi party were responsible for the burning of the Reichstag. The reason for their doing it, said Mr. Rolland and the other accusers, was to throw the blame on communists in order that German public opinion would be behind the Hitler government's campaign to destroy the communist movement. Therefore, Mr. Rolland and his associates arranged for an international inquiry or trial to attempt to decide who really did burn the Reichstag. This inquiry was recently held in London. Expert lawyers went over a great mass of testimony. The final decision was to the effect that the communists are innocent and that the whole Reichstag episode was merely a political maneuver to oust the communists.

Nevertheless, the German Supreme Court is proceeding with its trial of the five communists. However, it has given Arthur Garfield Hays, American attorney and one of the representatives of the London investigation, an opportunity to take the witness stand in behalf of the communists.

Train Rates Lowered

The Eastern railway companies have decided to reduce their passenger rates to meet air and highway competition. The railway passenger rate since 1920 has been 3.6 cents a mile. The present plans are to reduce this rate to 3 cents a mile for one-way trip tickets and 2 cents a mile for round-trip tickets. These changes may be slightly modified at a national meeting of railroad officials to be held soon. Lower rates will go into effect, however, not later than December 1.

This decision on the part of the railroad companies was made as a result of special

rates which were granted this summer to passengers going to the Century of Progress Exhibition in Chicago. It was found that the increased volume of business more than made up for the lower rates.

Annual Baseball Event

On Tuesday, October 3, hundreds of thousands of baseball fans throughout the country focused their attention on New

York City, where the first game of the 1933 World Series was played. This contest, which is being played between the Washington Senators and the New York Giants, marks the sixty-fifth birthday of professional baseball.

At the beginning, one or two players were engaged for a small sum to try to assist local teams to win important contests. Then it spread to the engaging of an entire team to play for money and to represent a certain town or city. The popularity of the game increased until now there are hundreds of professional teams in the

through both these countries. Before the treaty is ratified, however, both countries can start work on those sections of the seaway which lie within their borders.

President Roosevelt has decided to allot money from the \$3,300,000,000 public works fund for starting construction on our part of the seaway. When this great project is completed it will be possible for agricultural and manufactured products to be shipped from Duluth, Milwaukee, De-



O'BRIEN, LA GUARDIA OR McKEE?
New York prepares for the bitterest mayoralty contest in years.

© Ewing Galloway

troit, Toledo and numerous other Middle-Western ports directly to European and world markets.

League Meets Again

The Fourteenth Annual Assembly of the League of Nations convened at Geneva on September 25. Delegates from all parts of the globe returned to that famous Swiss city to discuss treatment for the world's political and economic ills.

The League is considering three issues of great importance to the United States.



HARVESTING WITH MECHANICAL TRACTORS IN THE U. S. S. R.
Agricultural machinery is coming into increased use in Soviet Russia as peasant resistance diminishes.

© Ewing Galloway

country and the game is enjoyed by millions of people every year. The World Series is always played between the winners of the pennants in the National League and the American League.

Great Lakes Waterway

Last year Canada and the United States signed a treaty calling for the construction of a seaway from the Great Lakes to the Atlantic Ocean by way of the St. Lawrence river. This treaty, before going into effect has to be ratified by Congress and the Canadian parliament, due to the fact that the seaway, if and when finished, will run

The first of these is the reconvening of the disarmament conference, scheduled for October 16. This conference, which was originally planned by the League, must accomplish something in the way of disarmament in the next few months or most surely be doomed to failure.

The second issue before the League is the unfinished business of the World Economic Conference which met in London from June 12 to July 27. It was forced to adjourn because the work it attempted to accomplish conflicted with our recovery program.

And the third issue is the unsettled dispute between China and Japan, which led

to the withdrawal of the latter nation from the League six months ago. The League made a report at that time criticizing Japan for taking over the Chinese province of Manchukuo. This angered Japanese officials and they withdrew their delegates from the League. Now the League must decide if further action against Japan can and should be brought about.

Russian Peasants Appeased

It is a commonplace to say that if people are prosperous they are generally contented. They do not care much about what form of government they have, dissatisfaction in this regard being reserved for times of distress.

The truth of this statement has recently been clearly brought out in Russia. Last year in the Soviet countryside there was a considerable shortage of food as the result of a poor harvest. The peasants suffered hardship and became more than ever disgruntled with the government in Moscow. They resisted the government's project of collectivizing agriculture—combining farms into joint communistic enterprises—and to the turning over of grain quotas to the government. These grain contributions were expected of the peasants just as taxes are levied on people in other countries. But the peasants, in many cases, actually destroyed their agricultural produce rather than hand it over to government authorities. This peasant resistance endangered the communistic experiment.

But this year we find that the picture has changed completely. There have been bumper crops in the Ukraine, in the North Caucasus and in other parts of Russia. The result is that quotas are being paid in, and willingly. The peasants are looking forward to a comfortable winter. Resistance has almost ceased and the Russian peasant is looking with much greater favor on the form of government which has been imposed upon him.

N. R. A. Tariffs

Under the NRA, President Roosevelt is given authority to raise our tariff walls against foreign goods shipped to this country. The president is preparing to act in this direction because imports of cheaply made goods are providing serious competition for American industries, which have been compelled to increase their expenses under the NRA.

It seems rather strange to observe President Roosevelt, whose party has always been for a low tariff, placing higher trade barriers around this country. But the administration explains its actions by declaring that this is an emergency measure designed to meet unusual times. When conditions become more stable throughout the world, President Roosevelt is of the opinion that international trade can be increased. Until then, he believes, each nation should make a supreme effort to put its own house in order.

Tammany Tiger Alarmed

Next month New York City elects a mayor. The powerful organization of Tammany is threatened with defeat for the first time since the late war. Mayor O'Brien, Tammany's candidate for reelection, appears to be losing ground fast. There is a growing sentiment among New Yorkers that Tammany officials must be defeated if the city is ever to overcome the present financial difficulties. At the recent primaries several Tammany candidates were badly defeated.

Mayor O'Brien's chief opponent, former United States Representative La Guardia, is known to be a man of keen ability. He is a fusionist candidate and has the support of the great majority of those people who are determined that Tammany shall be defeated. Mr. La Guardia's promise of a new deal for the nation's largest city is gaining him new followers every day.

His campaign backers are very confident that he will defeat Mayor O'Brien if some other strong candidate does not enter the field, making it a three-cornered race. But the possibility is growing that Joseph McKee, who acted as mayor after James J. Walker's resignation, will enter the contest. He is a Democrat while La Guardia is a Progressive Republican. If he should run he would no doubt get many votes that otherwise would go to La Guardia, for he is also a reformer. Although he quit politics some months ago to assume an executive position, he is known to be considering pleas that he enter the race in order to save the Democratic party from defeat.

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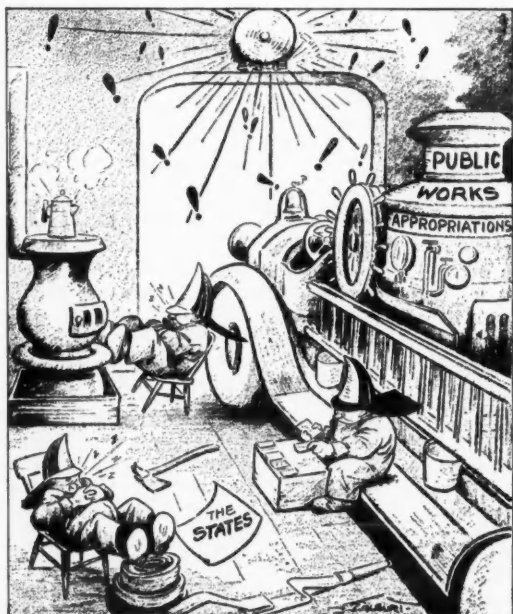
What Next?

Montagu Norman, governor of the Bank of England, visited the United States last month and shortly after his return to London he made an interesting statement relative to the swiftly moving current of American affairs. "So far as America is concerned," he said, "it is two weeks at least since I was there and in those two weeks a new situation and almost a new country, has grown up there. So continuous and so great are the changes that no one who is not on the spot is up to date. Nothing, therefore, that I have found while I was in America would be of any use or interest to you."

It is a fact that the scene is shifting very rapidly. New conditions develop almost overnight. A month ago the country was absorbed with the NRA drive. Everyone was trying to qualify to fly the Blue Eagle. There were high hopes that the NRA movement, including public works, would set millions of men to work. Then, early in September, came disappointment. The NRA alone, it seemed, could not bring work to all the unemployed, or to half of them, perhaps not to a fourth of them. Then attention shifted to the credit situation. If loans could only be supplied to concerns wishing to expand their enterprises, business might be expected to flourish.

Plans to make money more readily available to banks, and through the banks to those in need of funds, were pushed. But these plans were denounced as insufficient in some quarters. A cry went up for inflation of the currency, for the issuing of irredeemable paper money; and so inflation, which has been talked about more or less for months, became suddenly an immediate issue of great consequence. Senator Thomas, of Oklahoma, has assumed the leadership of the inflationists. He is calling for support among the senators and representatives and is getting a great deal of it. President Roosevelt and his immediate followers have not declared their opposition to the issuing of paper money. They do not say that they may not adopt that course eventually, but neither have they said that they will adopt it. Apparently they will not do so if they can avoid it.

And so now chief interest centers on means whereby the issuing of paper money may be prevented. During the last days of September, steps of great importance were taken. Plans were being developed whereby some of the money tied up in closed banks may be released. The government may furnish money for that purpose. Greater sums than heretofore are to be distributed as direct relief to the needy. Plans for an enlarged public building program, such as we spoke of last week, are still in the process of formation. Plans are also under way for the lend-



THE EMERGENCY

—Talbot in Washington News

ing of millions upon millions of dollars to firms which are engaged in the building of railway equipment. It is anticipated that the railroads will be able to buy this equipment next year.

All these devices result in making greater sums available for spending. Great numbers of people will get hold of money which heretofore has been inaccessible. The government can supply this money because it has credit and can borrow. It hopes to be paid back later on, but for the present the purchasing power of the people is increased. They can buy more and presumably they will buy more. This increased buying, it is thought, will stimulate business. It will also cause prices to advance, and if prices are advancing the demand for the issuing of more paper money will be checked. Inflationists, it is thought, will be satisfied if prices go up from whatever cause.

The procession of events has been a rapid one during recent weeks. It will be rapid in the weeks to come. The winter months will be months full of interest; full of change. It will be a hard winter, for millions will still be out of work. Conservative estimates place the number of families which will require relief at from 3,000,000 to 3,500,000, compared with 4,500,000 last winter. The movement out of depression is slow. Just now we seem scarcely to be moving in that direction at all. But substantial progress has been made and prospects for renewed advances during the late fall and winter are bright.

Out of Anarchy?

An industry which forms a code is, in a way, adopting a constitution. It is establishing laws—laws which place restrictions upon all the companies operating within the industry. If, for example, the retailers' code is finally adopted as it was first drafted, a merchant can no longer sell his goods for whatever price he pleases. He cannot mark down his products at will in order to sell them quickly. He will be restricted as to his hours and as to the wages he pays. He must be careful about what he says of a competitor. He is hedged about with many restrictions.

These restrictions take away his liberty, but they are imposed with the thought that they will result in a greater measure of justice to all people in the industry and to the general public. Full and complete liberty is, after all, anarchy. All laws take away the liberty of individuals. Industry has been, to a very considerable extent, a realm of anarchy. Now law is entering into that realm and each industry has a trade association of which the companies composing it are members. The trade association adopts laws. It has officers to enforce the laws. The government stands above all the industries to help the officers in enforcement.

Thus we seem to be moving rather rapidly away from anarchy, away from "rugged individualism," toward a greater measure of social control. This change may turn out to be the outstanding effect of the great business depression. The consequences of this movement toward a more ordered industrial society may be remembered long after the hunger, the anxieties, and the tears of these trying days have been happily forgotten.

Repeal and Revenue

With the repeal of national prohibition now only a matter of time, the question has arisen as to the taxes which the federal government will receive from the sale of legalized liquors. There is, of course, no way of computing accurately these figures because it is not yet known how many states will legalize the manufacture and sale of alcoholic beverages, nor what tax rate will be imposed by the national government. Congress will be faced with this task when it reconvenes early in January.

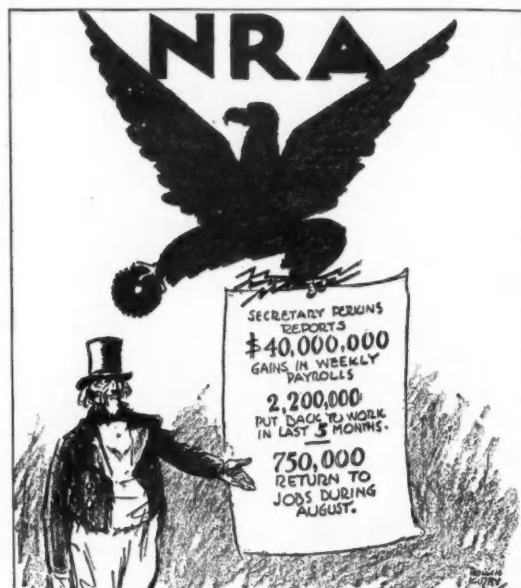
Meanwhile, it is possible to approximate the revenues by turning to the preprohibition days. The following table shows the revenue collected by the federal government before the adoption of the eighteenth amendment:

1910	\$201,008,670
1911	211,804,579
1912	212,042,339
1913	223,314,452
1914	226,179,689
1915	223,948,646
1916	247,453,543
1917	284,008,512
1918	443,839,544
1919	483,050,854

At the time national prohibition went into effect, the tax on distilled liquors was \$6.40 a gallon, the high rate being charged because of the emergency confronting the nation following the war. The pre-war tax was \$1.10 a gallon. Government officials are anxious to fix a tax rate now that will be high enough to insure the largest possible revenue but they are aware that it must not be too high, otherwise the bootleg industry will continue to flourish.

Our Declining Birth Rate

One of the significant revelations of the report published some months ago by President Hoover's committee on social trends in the United States was that the birth



—Kirby in N. Y. WORLD-TELEGRAM
A GOOD START

rate of the country was declining annually and that the population would become more or less static in two or three decades. This evidence has been further borne out by the statistics of the birth rate for 1932 which was the lowest in our national history. In commenting on this trend and its possible consequences upon the future of the country, the St. Louis Post-Dispatch makes the following editorial comment:

In 1915, the rate was 25.1 births per 1000 of population. By 1922, it had fallen to 22.3, and by 1930 to 18.9. In 1932, the new figures show, it descended to 17.3, for the lowest rate on record. It is significant to note that the birth rate in the cities fell from 17.5 to 16.3 in the last year, while in the rural districts it fell only from 18.5 to 18.3. The general trend and the reduced number of marriages last year (only 7.87 per 1000 population, the smallest figure on record) indicate the rate will be still lower in 1933. While the birth rate has fallen about 25 per cent in 10 years, the death rate has remained about the same, around 12 per 1000. So the time of stationary population now is forecast as before 1950, and at a somewhat lower total than had been predicted.

These facts are of more than statistical interest; they have an important bearing on all phases of the country's social and economic welfare. With a stable population, the expansion of industry, agriculture, educational facilities, building and real estate development would of necessity be retarded. Return of better times would probably accelerate the birth rate, but the decline has been in progress since long before the depression began.

The effects need not be altogether adverse, however. With a decreasing number of youthful persons, the labor surplus would gradually be absorbed, and the normal trend would be a higher wage scale. With a population definitely stable, advance planning for business would be simplified. Prof. J. J. Spengler of Ohio State University has written of one possible phase: "A benediction upon quality will replace the current doxology of quantity, with respect to both man and the things he consumes, be they adult education, furniture or movies."

America is coming of age, both spiritually and physically. The pioneer stage of expansion is virtually over, and our society must adjust itself to the new conditions that are swiftly advancing.

Real Relief

The New York World-Telegram, one of the newspapers of the Scripps-Howard chain, has the following note of commendation to the realistic manner in which the Emergency Relief Administration is tackling its important task:

We may need a modern Joseph to smash the great American paradox of destitution in a land of plenty. We need only men of common sense to achieve temporary relief.

President Roosevelt's order for the purchase of \$75,000,000 worth of surplus beef, milk, cotton and other products to be distributed to the States for supplementary relief is a stroke that loses none of its force because of its simplicity.

In the cities are 3,500,000 families on totally inadequate relief doles. On the farms the distress is so great that the AAA is trying to retire 9,000,000 acres of wheat, 15,000,000 acres of cotton and 5,000,000 hogs. The President's order will help both.

Such short cuts have characterized the Federal Emergency Relief Administration's work under President Roosevelt and his youthful agent, Harry Hopkins, since its organization last May.

Finding the AAA with a lot of pork on its hands, Mr. Hopkins arranged to send 100,000,000 pounds to the States for families lacking meat.

Finding families being evicted for non-payment of rent, he ruled that federal funds could be used to save their humble shelters, but warned that he was not pensioning any landlords.

Finding 30,000 teachers jobless and facing the breadlines, he called a conference to arrange for putting them on payrolls to teach illiterate adults in night schools.

Finding Mississippi children going to school without books, he announced this week that he saw no reason why the government should not supply textbooks in communities too poor to buy them.

Finding family relief doles in the South running as low as \$4 a month and less, he set \$15 as the absolute minimum.

Peace Parley Events Told by Diplomatist

Nicolson's Book a Lively Recital of Scenes Behind the Versailles Treaty

IMPORTANT to an understanding and appreciation of what occurred in Paris fourteen years ago when the statesmen of the allied powers assembled to remake the map of Europe after the war is Harold Nicolson's recently published book "Peacemaking" (Boston: Houghton, Mifflin and Company. \$4.50). Mr. Nicolson was one of the British delegates to the Peace Conference and observed acutely not only the work in which he was directly engaged but also the working of the entire conference. In this book, a large part of which is in the nature of personal reminiscences, Mr. Nicolson gives his impression of what took place behind the scenes.

By its very personal nature, this book makes interesting reading. It is no cut and dried discussion of boundaries, minorities, reparations, war guilt, and the multifarious technical questions with which the negotiators wrestled during those critical months. The personality element plays such an important part in this account that the reader not only becomes acquainted with the men who were responsible for the treaties, but also learns much about the intrigues which frustrated the hopes of those who demanded a better settlement.

The remaining impression of the whole affair is one of confusion and bewilderment. Mr. Nicolson deftly brings out the lack of direction and coordination which existed among the statesmen in 1919. That was his primary aim in publishing these memoirs. But this does not detract from the value of his work. Those who are already familiar with the results of the Paris Conference will find in this book a fresh approach to the subject and those whose knowledge of the deliberations and conclusions is somewhat scant will find Mr. Nicolson's work an excellent and authoritative point of departure for their further studies.

Is It to Be Revolution?

"Seeds of Revolt" by Mauritz A. Hallgren. New York: Alfred A. Knopf. \$2.50.

THE author, one of the editors of *The Nation*, analyzes in this book the various manifestations of discontent that have crossed the American scene during the course of the depression. After devoting three chapters to the general question of the status of the working classes during the more "prosperous" times, he takes up one by one the "seeds of revolt." From the strikes in the various coal mines and steel mills, Mr. Hallgren goes to Detroit where the unemployed staged strikes and

demonstrations last winter. The Chicago situation, including the crisis among the school teachers, the numerous outbursts among the farmers, are other phases of the subject which the author handles with skill, due to his first-hand knowledge of conditions.

The last hundred pages or so are devoted to a discussion and analysis of the economic tendencies of the nation under the Roosevelt recovery movement. Mr. Hallgren does not share the views of those optimists who hail the New Deal as a remedy for the woes and injustices that have beset the nation in the past. Rather the program is tending further to concentrate economic power in the hands of the few. As to the likelihood of a mass revolution, Mr. Hallgren does not definitely commit himself although he is certain that the crisis in capitalism has not ended.

Wells as a Prophet

"The Shape of Things to Come" by H. G. Wells. New York: Macmillan Co. \$2.50.

H. G. WELLS enters again the role of a prophet. He writes the history of the world up to the year 2106. In form it is partly narrative. Characters are introduced. There is an element of human interest as well as public interest. But the work constitutes Mr. Wells' conception, first, of the meaning of the age in which we are now living; second, of the chaotic period into which we are, in his opinion, entering; third, of the probable transition to a new kind of civilization; and fourth, of the nature of the ideal state which in the course of a century or so he thinks may evolve.

We are now living, Mr. Wells thinks, in the last days of an epoch. Civilization, as we know it, is passing. Capitalistic society is breaking down. There will follow an age of lawlessness. There will be whole regions so given over to crime that they cannot be visited with safety. Government will break down. The outward symbols of our present greatness, our large buildings, our skyscrapers, will crumble to the earth. Wars and pestilences will bring havoc and despair.

Out of all this will come a new society essentially socialistic in nature, based upon reason, managed by technicians. It will not come quickly. There will be periods of discouragement and apparent failure, but it will finally come. The new world state will be a settled fact at the beginning of the twenty-second century.

A Family History

"Vanessa" by Hugh Walpole. New York: Doubleday, Doran & Co. \$2.50.

SEVERAL years ago Hugh Walpole wrote a novel called "Rogue Herries," the story of an English family. The period was the eighteenth century. After

that he wrote two other novels dealing with later generations of the same family. These books were "Judith Paris" and "The Fortress." Now he has completed the story with his fourth novel, "Vanessa," the opening scene of which is laid in 1874 and which closes in 1930. While the four books may be regarded as a whole—as the continuing story of a family against a background of evolving social life—each one of them may stand alone. "Vanessa" may be taken by itself, and as such it stands as a picture of upper class English life during the period which it covers—a period of transition in England as in other lands. But it does not stand merely as a story of changing English life. It is the story of individuals, a story of characters as well as manners.

Correct Speech

"How to Speak English Effectively" by Frank H. Vizetelly. New York: Funk & Wagnalls. \$1.75.

AN appeal for the study of the English language, for the building of a vocabulary, for the practice of correct speech. This is a series of addresses presented to the announcing staff of the Columbia Broadcasting System, but it serves as a guide to all those who, whatever their vocation, may wish to develop effectiveness of speech.

Many New Books Appear on Fall Publication List

About this time, every year, publishers make it a practice to announce the books they intend to publish during the fall months. It is something of an advance style show in which readers can look over the list and make mental notations of the books they will want to buy. This is a major event in the book world and publishers generally reserve their best offerings for the fall season.

This year a number of excellent books are scheduled to make their appearance and it is perhaps worth while making note of a few. In the field of economics, for example, there is "The Means to Prosperity," by John Maynard Keynes, the noted British economist; "The Menace of Fascism," by John Strachey, also a British economist; "Is Fascism Next?" by Lawrence Dennis; "The Theory of Wages," by Paul Douglas; and "Human Problems of an Industrial Civilization," by Elton Mayo.

Among the more important novels are "One More River," John Galsworthy's last novel; "All Men Are Brothers," the translation of a famous Chinese classic by Pearl S. Buck; "Winner Take Nothing," by Ernest Hemingway; "Kingdom Coming," by Roark Bradford; and "Long Pennant," by Oliver La Farge.

In biography there are, "The Journal of Gamaliel Bradford," edited by Van Wyck Brooks; "Crowded Hours," by Alice Roosevelt Longworth; "Edward VII," by E. F. Benson; and the much discussed "War Memoirs of Lloyd George."

FROM CURRENT MAGAZINES

"Who's Holding Back Public Works?" by John T. Flynn, *The New Republic*, September 20, 1933. Mr. Flynn charges that the emergency public works program, once heralded as an instrument of recovery, has sunk to the place of a mere relief measure. Who's to blame? None other than the president, declares Mr. Flynn, for he cancelled such projects as were carried

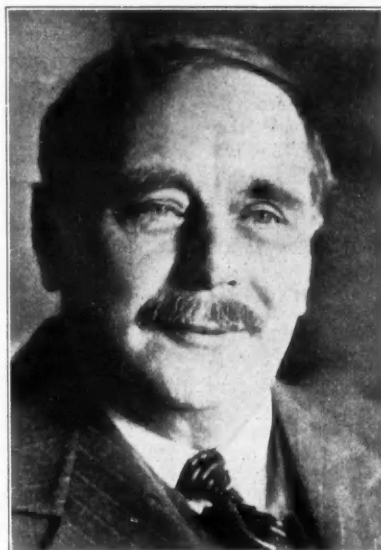
over from the previous administration; he was slow in setting up the PWA; and has held back the work of that agency by his warnings against pork and scandal. With what result? Mr. Flynn sees the capital-goods industry languishing for want of orders for public works materials, and the capital-goods industries are basic in the industrial set-up of the nation. Even though Mr. Flynn now sees the president beginning to take a little more interest in this recovery instrument, he feels that the opportunity has

passed, and the damage resulting from the great delay irreparable, if not disastrous, to the nation's attempted come-back.

"What Alfonso Left Behind," by John Gunther, *Harper's*, October, 1933. With swift, colorful strokes, Mr. Gunther paints a picture of the infant Spanish Republic. When Alfonso hastily dropped his duties as monarch and left the country, he left behind certain persons and elements that were to combine in forming this new version of Ferdinand and Isabella's legacy. The most important of these persons was Don Manuel Azaña, the man with the frigid brain—angry, interested, emphatic. The most important element left behind by the deposed Bourbon was an idea. He did not create it; rather, it arose out of the void created by his absence. The idea is that of a Controlled Democracy—the political mold into which the Spanish Republic is attempting to fit.

"Can the NRA Succeed?" by Albert Evans, *The Nation*, September 27, 1933. Mr. Evans turns a rather severely critical eye on the NRA, and raises doubts thereby as to the ultimate achievement of its goals. Mr. Evans sets forth these goals as centering on the increase of employment through shortened working hours, the enlargement of purchasing power through the raising of wages, the improvement of standards of living through the organization of effective unions, and the bringing of order into our economic system through planning. But, he goes on, weekly working hours were already reduced before the NRA program. Wage increases for the low-paid workers may cause wage decreases for the higher-paid workers, or even lay-offs. American workers are still wary of trade unionism.

"Japanophobia," by Roy Mathew Friesen, *The Forum*, October, 1933. Mr. Friesen calls for a new literary diet about the United States and Japan, one that is made up of peace fare rather than the present "diet of corrosive poisonous mind-upsetting war food." He claims that we are afflicted with jingoism "of about the same kidney as the jingoism of Japan," each group seeing on the horizon menacing clouds of war. War between the United States and Japan? "Ridiculous! Poppycock! Absurd!"—is the answer given.



H. G. WELLS



THE PARIS PEACE CONFERENCE
(An illustration from "Peacemaking 1919")

Government Preparing to Continue Work of Civilian Conservation Corps

An American army is about to be disbanded and mobilized all over again! On September 30 six months will have passed from the time the first members of the Civilian Conservation Corps broke camp under the auspices of the federal government, to look after the forests and thereby leave temporarily the ranks of the unemployed. Inasmuch as the men in this peace-time army of construction were recruited for a period of six months only they now must be recruited over again, if they still want a job in the forests.

The president and other federal officials are urging the men to seek employment out in the fields of commerce, industry, and business, but in case they cannot find it, the ranks of the conservation corps will still be open to them. Officials estimate that of the 265,000 men now in the 1466 camps of this type scattered across the nation, only about 75,000 will break ranks and start for home and perhaps a new job. The rest will be reenrolled for another six months, and 115,000 new ones will be recruited from the present ranks of the unemployed, so that the total in these camps for the next six months will be around 300,000.

The purpose behind the creation of this reforestation army last spring was to give young unmarried unemployed men a chance to live in healthful surroundings, do an honest day's work, and earn a small amount of money, part of which might be sent home to destitute parents or others. The recruits were selected through employment offices across the country where representatives of the Federal Labor Department and Veterans' Administration handled the job. When the camps are filled up again, eighty per cent of the men will have been recruited by the Labor Department, and twenty per cent by the Veterans' Administration—240,000 will be young men between the ages of eighteen and twenty-four; 33,000 will be experienced woodsmen; and 27,000 will be war veterans. In addition, 14,000 Indians will be working on forests on Indian reservations.

A reforestation camp might remind you a bit of a military camp, with its rows of tents, and regular routine beginning with reveille at 6 a. m. But the uniforms are lacking, and the drills, and target practice. Although regular army officials maintain order, the men are not hedged about by strict rules as to what they must do each hour of the day, for they have time when they can do things they please after their day's work in the forests.

The War Department directs the building of the camps, looks after the welfare of the men, purchases supplies and materials and generally administers the running of the camp except for the "work day"—the time when the men are working in the forests. For this period, the Department of Agriculture has an important hand in the job, for its forest service has charge of directing the cutting, pruning, and planting of trees and other duties which are necessary to the preservation of the national, state, and private forests. Where parks are concerned, the branch of the federal government having to do especially with this type of activity, directs the work of the conservationists.

The commander-in-chief of this conservation army is Robert Fechner, known officially as the director of emergency conservation work. Mr. Fechner is general vice president of the International Association of Machinists, and for many years has been active in work connected with labor. One unique phase of his career lies in the fact that he is one of the few persons (if there have been any others) who has had only a grammar school education, and yet has lectured in economics at Harvard and Dartmouth.

Wisconsin Has Plan for Unemployment Insurance

When you lose your job through no fault of your own, but rather through some such catastrophe as the present depression, is there a way by which you could be helped along for a time?

Yes, the legislature of Wisconsin has said. Unemployment compensation or insurance is the answer. For a time after your employment ceases through no fault of your own, your former employer should pay you a certain sum of money each week. Wisconsin is the only state which has such a law on its statute books.

Strangely enough, although the legislature adopted this plan in January, 1932, it cannot yet come into effect. When the Wisconsin lawmakers drew up this legislation, they said that it should not go into operation until for three successive months the number of employees in industries in the state was twenty per cent greater than the number in December 1932, and the aggregate pay rolls fifty per cent higher than in December, 1932. In other words, they felt that only in a time of plenty when many people are employed and wages are high could enough money be set aside to care for the needs of the unemployed in the lean years. These conditions have not yet been met.

In addition, the lawmakers said that if, at the end of such a period of increased employment and higher wages, there are in operation in Wisconsin unemployment compensation plans voluntarily put into effect by employers so that at least 139,000 employees are covered by such plans, the state law need not be put into operation.

The state plan provides for a reserve fund which is built up by the employer. For two years, the employer must put into this fund at every pay-roll period an amount equal to two per cent of all

salaries he pays under \$1500. After this time if the fund amounts to less than fifty-five dollars per employee, the employer still must continue paying his two per cent. When the fund amounts to more than fifty-five dollars but less than seventy-five dollars per employee, he need pay only one per cent. When the fund amounts to seventy-five dollars or more per employee, the employer does not have to make further contributions to the fund.

How can an employee benefit from this fund? He must have been employed at least two weeks by the particular employer during the twelve months preceding his unemployment and he must be a resident of Wisconsin. His salary during the period of his employment must

have been less than fifteen hundred dollars a year. For total unemployment, such a person would receive a sum equal to fifty per cent of what he would normally be earning in the job he lost, provided that such compensation would be not more than ten dollars a week, nor less than five dollars, and that the period of compensation were not more than ten weeks. A person partially unemployed would receive a sum equal to the difference between the wage he is receiving and the amount he would be eligible to receive from the compensation fund, were he totally unemployed.

Connecticut Developing Milk Marketing Program

An attempt to work out a plan for fixing the price of milk at a fair level is under way in Connecticut. The legislature last spring set up a state Milk Control Board to accomplish this purpose, among other things, but dissatisfactions, frictions and farmers' strikes have sprung up, and so the State Farm Bureau Federation has taken a hand, and is organizing a council of milk producers to formulate an acceptable milk marketing program for the state included in which will be a provision on the prices that may be charged for the product. It is expected that this plan will solve many of the difficulties confronting the state.



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HARRY L. HOPKINS

States Get Federal Help for Jobless

Emergency Administration Under Harry L. Hopkins Donates Millions

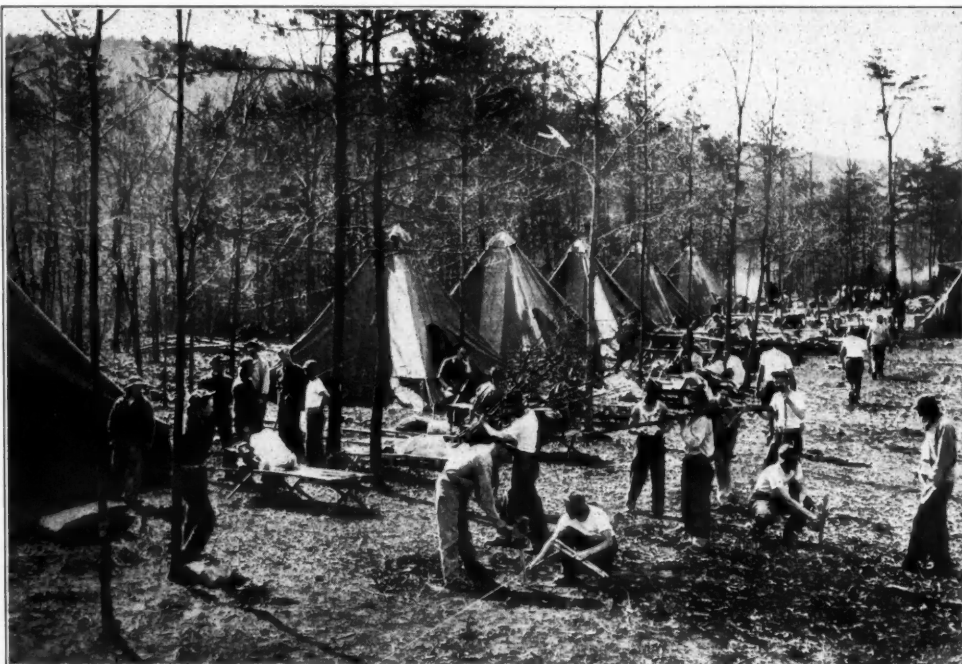
In order that the destitute unemployed may have food and clothing, and some of them may have work and education the federal government is digging down into its coffers for actual cash to give to the states in carrying out their relief programs.

Last spring Congress decided that the burden of caring for those in want had become far too great a strain on the state, local, and private relief agencies for them to carry on unaided. Therefore, the national legislature set up the Federal Emergency Relief Administration, and gave it \$500,000,000 from which to make grants to aid these other relief agencies. But note, said Congress, this does not mean that states and local agencies are to let up on their task. Only if they do their share, shall they be eligible to get federal funds to supplement their own.

President Roosevelt called to the task of administrator of this federal relief agency a man who had held a similar job in New York State—Harry L. Hopkins. So far, the administrator has seen that \$170,079,443 of the funds of his agency have gone into relief channels in every state.

The summer is past, and the fall and winter approach when the suffering of the needy will be the most acute. Although Mr. Hopkins sees 1,000,000 families removed from the public relief rolls since last March, more than 3,000,000 families representing 15,000,000 persons remain. How are they to be helped?

There are different ways by which the federal money is used through state and local agencies to meet the situation. Money is used to create work relief, that is, it is used to pay people to work on such public projects as parks, swimming pools, roads. This does not have any connection with the public works projects aided through the Public Works Administration. Money is used to buy food and clothing to distribute to the needy. Some of the raw materials for the food and clothing such as cotton and pork are being bought up through federal agricultural agencies which are attempting to reduce the surplus of farm products.



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THE FIRST CIVILIAN CONSERVATION CAMP AT LURAY, VIRGINIA

Country Faced With Question of Inflation

(Concluded from page 1, column 1)

business. As prices rise because of general confidence and optimism, and as the volume of business increases, more money is obviously required to finance business operations. This additional money is obtained by business men through commercial bank loans. Such an inflation would be welcomed by everybody at a time like this; for it would be an indication of general business recovery. The only danger here involved is that such an expansion and boom might in the course of a few years be followed by another depression. In the meantime, however, we would enjoy a period of prosperity.

Second, there is, or may be, an inflation of prices that may be brought about through the Agricultural Adjustment and National Recovery Acts. The purpose of the Agricultural Adjustment Act is to raise agricultural prices by restricting production and by placing a tax on food products which would presumably be passed along in the form of higher prices to consumers. If successful, this act would raise the level of prices of the agricultural commodities to which it is applied.

The purpose of the National Recovery Act is to stimulate economic recovery, including a rise in prices, mainly by increasing wages and hence the purchasing power of the industrial laboring population. This increase in wages will raise the money costs of manufacture and necessitate higher selling prices. It is hoped that the increased purchasing power resulting from the higher wages will not be fully matched by a rise in prices, thus enabling these higher priced manufactured goods to be sold in increasing volume.

Except that the original purpose is different, this sort of inflation closely resembles commercial inflation. The funds with which to finance an increased volume of business on a higher cost basis are expected to come mainly from the cash balances of business enterprises and from bank loans. While the government may find it necessary to assist in such financing, particularly in connection with the smaller business establishments, the assumption—and hope—has been that no Treasury aid would be required.

Devaluation

Third, there is "inflation" resulting from a devaluation or reduction in the weight of the dollar. Here we find still another motivating force tending toward an increase in prices. The American dollar contains 23.22 grains of gold. The president has been given the power by Congress to reduce the number of grains in the dollar not more than 50 per cent, as and when he may deem such action desirable. Now if we should reduce the content, say, to 11.61 grains, it is obvious that this shrunken dollar would exchange for a smaller number of German marks, or French francs, or British pounds than the old dollar. In other words, there would be a new "exchange quotation" for the dollar. Accordingly, when foreigners sold goods in the United States they would demand a larger number of dollars than before and the prices of imports, as expressed in the new dollar, would therefore rise.

The prices of exported commodities would also rise. Since a franc, for example, would now exchange for more dollars and buy more American goods than before, demand for the now cheaper American goods would be stimulated; for the time being it would be cheaper to buy American wheat or cotton, for example, than Argentine wheat or Egyptian cotton. This increased demand would naturally cause the prices of exports to rise. Such a rise might be gradual in character were it not for the fact that speculators, foreseeing an inevitable rise, would rush to buy such commodities before it is too late, and thus cause a sharp, immediate advance in the prices of exports.

Now this force leading to an advance in prices would not directly affect the prices of commodities produced and sold within the United States—which constitute the bulk of our total activity. Only in so far as the resulting higher costs of certain classes of goods entering into international trade might indirectly affect the prices of other goods made from such higher priced materials, would the prices of domestic commodities be affected. Anything like a generally uniform rise of prices resulting from the reduction in the weight of the dollar is not to be expected. Indeed if economic conditions as a whole should remain generally unfavorable to business resumption, the effects of a fall in the exchange value of the dollar on the general level of prices might be relatively unim-

change markets. It is true that the weight of the dollar has not been reduced; but the effect of the depreciation of the paper dollar on the international exchange is exactly the same as would be the effect of a reduction in the weight of the dollar. The only difference between the present situation and outright dollar devaluation of an equivalent amount lies in its tentative character—the relative value of the dollar to the pound being left to market forces rather than being definitely fixed by a reduction in the weight of the dollar and stabilization of its value at a new lower level.

Fiscal Inflation

Finally, there is what may be called fiscal inflation. This type of inflation is of

tions, other business, and local governments, but also to provide a major part of the personal relief funds which have heretofore been raised mainly through charity organizations. It may be recalled that last spring the president was given the power to issue such currency, in the event of necessity, in an amount not to exceed \$3,000,000,000.

The pouring out of irredeemable paper currency by the government affects prices in two ways: First, it progressively reduces the value of the dollar in international exchange, and this progressively stimulates (in terms of paper money) a rise in the prices of commodities entering into international trade. Second, it gives to the masses of the people immediate purchasing power—however artificial in character—and thus expands the demand for commodities in the domestic market.

All history shows that this type of inflation is likely to lead to breakdown with ever-increasing issues of new money, until the entire financial system is ultimately wrecked. The history of nations is replete with illustrations of such inflation catastrophes.

This type of inflation the United States government has obviously been seeking to prevent by every possible means. The vigorous efforts which have been made to balance the federal budget, to raise prices by other means, and to restore prosperity are all indications of a resolute intention to prevent, if humanly possible, the unhappy consequences which would result from fiscal inflation.

N. Y. STOCK EXCHANGE

A tax evasion scheme of huge proportions was threatened recently as the result of new taxes which the city of New York planned to impose on the New York Stock Exchange. These taxes were expected to yield the city about \$5,000,000 annually.

But the New York City government reckoned without the officials of the New York Stock Exchange. Led by Richard P. Whitney, president of the exchange, Wall Street financial barons promptly prepared to move their business across the Hudson River and establish it in Newark as the New Jersey Stock Exchange. In the face of this threat the city government soon dropped the tax plan.

N. R. A. BACKGROUND

(Concluded from page 8, column 4)
task of its own purification from illegal practices. A passage from Wilson's "The New Freedom" illustrates how far we had gone on the road toward the public supervision of industry since the days of Blaine's rejoinder to Cleveland and of Culom's "arrogant set" of railroad officials. "The men who have been ruling America," said Wilson, "must consent to let the majority enter the game. . . . We are just upon the threshold of a time when the systematic life of this country will be sustained or at least supplemented at every point by governmental activity. . . . We have great tasks before us and we must enter on them as befits men charged with the responsibility of shaping a new era."

How near the threshold of the new era we were when he spoke those words, Woodrow Wilson could not know. The World War, with its imperative need for the mobilization of all the industrial resources of America under the dictatorial control of the government, did more than all the laws, orders and prosecutions of the previous thirty years combined to reconcile the country to the historically uncongenial idea of the regulation of private business by public authority. Not even the counter-revolution toward "normalcy" and "rugged individualism" in the 1920's, based on Harding's "More business in government and less government in business," could obliterate that war-time experience. Under the stress of economic calamity we have returned to the mental attitude and even to the phraseology of the war years. Franklin Roosevelt takes up the task where Woodrow Wilson left it.



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MONEY AND INDUSTRY—CHIEF CONCERNS OF THE NATION

portant. This is indicated by reference to British experience. The value of the British pound fell in the exchange markets between September, 1931, and the end of 1932 by nearly thirty per cent. While prices entering into international trade rose somewhat, other prices continued to fall; and at the end of 1932 the general level of British prices showed no change.

No Rise in Prices

In connection with this form of inflation, it is to be noted that in any event, that is, even assuming that all classes of commodities should rise in price, the limits of such a price inflation are at the present time definitely set. As already indicated, Congress has granted power to the president to reduce the weight of the dollar up to fifty per cent as a maximum.

If asked, "Are we going to have inflation?" one has to reply that we already have some measure of inflation resulting from a decline in the value of the dollar. In March last paper dollars were declared no longer redeemable in gold, and hence our paper dollars thenceforth sold at a substantial discount in the foreign ex-

change markets. This is the inflation that people think of as beginning with a big "I" and as having sinister implications. This is in fact the only kind of inflation which would constitute a serious menace to a sound economic recovery and growth. Fiscal inflation, as the term implies, involves the federal treasury and results from a hopelessly unbalanced government budget. When the revenues that can be raised from taxation and from bond issues prove insufficient to provide the funds with which to meet the government's current obligations, it becomes necessary to issue irredeemable paper money for the purpose of meeting government payrolls, interest on bonds, etc. Such "fiat" money, as it is called, would be manufactured at the Government Printing Office in any amounts required and would be utilized by the government in meeting any of its obligations. The chief reason for believing that such a step might be necessary has been the possibility that the federal government might be called upon this coming year not only to assist in a large way distressed railroads, financial institu-



Week by Week with the N. R. A.



Studies of the Government in Action



THE remarkable series of legislative measures and executive orders which characterized the opening weeks of the Roosevelt administration culminated in the National Industrial Recovery Act, popularly designated as the NIRA or the NRA. The vast amount of attention which the interpretation and enforcement of this act is receiving today in the press and in public discussion is proof of the fact that it is regarded as the crucial measure of the Roosevelt program.

On its success or failure depends the success or failure of the New Deal.

The NRA

There are several reasons why the NRA thus stands out as the very embodiment of the hopes for a return of prosperity. In the first place, it is not an

emergency measure, like the closing of the banks or the embargo on gold exports, to avert an immediate disaster; but rather aims to effect a permanent and radical reform of industrial practices which shall remove the danger of such economic crises in the future. Deliberate reconstruction and not desperate remedy is its purpose. Furthermore, the NRA, with its mass of industries codes regulating the conduct of business in respect to publicity of operation, rates of wages, hours of labor, protection of children, control of prices and the like, comes home to the people of the country at large as a measure directly affecting their profits, their pay envelopes and their purchases. Comparatively few citizens understand the mysteries of banking, foreign exchange, currency fluctuations or the expansion and contraction of credit; certain sections or groups of the population are primarily interested in farm relief, mortgage moratoriums or veterans' compensation; but every man, woman and child in the country has a stake in the realization of a thoroughgoing reform of our anarchic industrial system. And finally, for just this reason the administrators of the NRA are appealing to the public for co-operation in putting over their program, rather than imposing it upon the country as a police regulation. The leaders of industry have been invited to submit codes of business conduct to the government and to thresh out differences and difficulties with the authorities at Washington. Delegations of chambers of commerce, manufacturers and trades associations, labor organizations and wholesale and retail dealers, spokesmen for the textile, sugar, coal, shoe, automobile, oil and a hundred other industries crowded upon one another in the hot capital to argue their case before the NRA administrator, General Hugh S. Johnson, and his assistants. Pro-

ducers and consumers were enlisted in a nation-wide crusade for the support of the measure under the symbol of the blue eagle, which appeared on shop windows and automobile windshields. "We do our part" was the slogan. General Johnson became, after President Roosevelt, the most conspicuous man in the country.

Historical Background

Yet the blue eagle did not descend upon us like a bolt from the blue. For half a century he had been hovering and circling above the confused economic scene. By the middle of the 1880's the unrestrained and unregulated exploitation of the immense natural resources of the country, which had begun in earnest after the Civil War, had proceeded so far as to attract the attention of the government at Washington. President Cleveland in his famous tariff message of December, 1887, answered the argument that free competition would always prevent monopolistic prices, even under a régime of high protection, by the statement that such competition was "too often strangled by combinations quite prevalent at this time, and frequently called trusts, which had for their object the regulation of supply and prices of commodities made and sold by the members of the combination." And President Harrison in his first message suggested to Congress that "earnest attention should be given to a consideration of the question how far the restraint of those combinations of capital called 'trusts' is a matter of federal jurisdiction."

The difficulty of dealing with the trusts by national authority, however, was obvious. For they were incorporated by the legislatures of the states, and the federal Constitution gave Congress no powers to deal with industry. No mention is made in that charter of government, within whose limits Congress and the Executive had to operate, of wages, prices, hours of labor, aggregations of capital, trades unions, issues of stocks and bonds, employment of women and children, conditions in mills and factories, or a host of other economic and social matters which came to have increasing importance for the welfare of the American people as we passed out of the simple agricultural era in which the Constitution was written, into a highly industrialized nation. Of course, the railroads were not dreamed of in 1787, and the power to regulate commerce between the states (along the Atlantic seaboard) was given to Congress not for the purpose of controlling a great transportation network, but for the defense of our coast line from New England to Georgia.

Moreover, the ingrained attitude of

Americans was one of hostility to the interference of government with business. They had severed their connection with Great Britain largely on that issue, and they had no intention of erecting a similarly restrictive political authority on this side of the ocean. They wanted to be let alone. America was the land of freedom. The competitive capitalistic régime was based on the idea of a liberal representative democracy. Privilege was anathema. The pioneer spirit was self-sufficient, autonomous, creative, challenged by an apparently boundless opportunity. The function of government was to provide national security, uphold law and order, maintain justice—in short, to furnish a fair field for the development of "rugged individualism." That government was best which governed least. James G. Blaine replied to Cleveland's warning against the danger of monopolies, in a speech at Portland, Maine, on August 15, 1888: "The trusts are largely private affairs with which neither President Cleveland nor any private citizen has any right to interfere."

I. C. C. Act

It is no wonder, then, that a full century elapsed from the framing of the Constitution to the passage of the first act of Congress aiming at the regulation of the great corporations—the Interstate Commerce Act of February 4, 1887. The twenty-four sections of the act forbade pooling, rebating and discriminating freight charges, provided that all schedules and rates must be open for inspection, and created a commission of five members to receive complaints from shippers and to invoke the aid of the federal courts to prosecute offending railroad corporations. The interesting thing for us to note is the hostility of the great railroad magnates of the day to any interference with their business. Charles Francis Adams had already, in his "Chapters of Erie" (1871), characterized them as "certain private individuals, responsible to no authority and subject to no supervision, but looking solely to their own interests." And Senator S. M. Culom, who headed a committee which traveled for six months through the states taking the testimony for the report on which the Interstate Commerce Act was based, declared in his "Fifty Years of Public Service" (1911), that the railroad officials were "in those days (1885) the most arrogant set of men in the country, who have since learned that they are the servants and not the masters of the people." The act was not a great success at first. Its provisions were evaded by clever lawyers, and the repetition of its prohibitions and penalties in later enactments

(1903, 1906, 1910) shows how imperfectly it was observed. A justice of the Supreme Court, ten years after the passage of the act, called the Interstate Commerce Commission "a useless body for all practical purposes." For all that, the act is of great importance as the first move of the federal government in checking the uncontrolled and irresponsible spirit of *laissez-faire* in business. "Its passage," says Louis M. Hacker, "indicated that the twilight of individualism in the United States had set in."

Anti-Trust Laws

In 1890 Congress, following President Harrison's suggestion of the previous December, passed the Sherman Anti-Trust Act, making illegal "every contract, combination in the form of trust or otherwise, or conspiracy or restraint of trade among the several states or with foreign nations," and charging the United States district attorneys with the prosecution of suspected violators. This much more comprehensive act than the railroad legislation of three years before was as difficult of enforcement, owing to the lack of definition of such terms as "conspiracy" and "restraint of trade." In fact, the government lost seven of the first eight cases brought to court under the act. Still, the very fact that it was on the statute books served to keep alive public interest in its enforcement (and improvement), and gave Presidents Roosevelt and Taft the opportunity



—Minneapolis Journal
WHEN ANOTHER ROOSEVELT UNDER-TOOK TO CONTROL INDUSTRY
A cartoon from Theodore Roosevelt's "trust busting" days. The large corporations are shown eating out of his hands intimidated by the "big stick".

to bring more than a hundred indictments or bills in equity against the trusts. Woodrow Wilson, in his zeal for the inauguration of the new deal twenty years ago, pushed through Congress a series of measures, generally grouped under the title of the Clayton Act. The Wilson legislation marked a great advance over the Sherman Acts in clarity and precision, and, by the creation of the Federal Trade Commission, took the first step in inviting big business to cooperate with the government in the

(Concluded on page 7, column 4)

Something to Think About

1. When you speak of "inflation" just what do you mean? In what way, if at all, has your idea of inflation been modified by reading Dr. Moulton's article?
2. Is there any active demand in your community for inflation? If so, what kind of inflation do those demanding it ask for? Why do they want it?
3. What would be your attitude toward disarmament if you were a German? If you were a Frenchman? What do you think the United States government should seek to obtain at the arms conference?
4. Account for the fact that there has been much anxiety lately over the business situation. Describe some of the recently adopted recovery policies of the Roosevelt administration.
5. "We appear to be moving from relative anarchy in industry toward social control." Write a statement of one hundred words or more enlarging upon the sentence just quoted.
6. How is your community handling its unemployment problem?

Make a brief statement relating the needs of relief in your community and outlining the agencies which are working at the problem. Send this statement to THE AMERICAN OBSERVER.

7. What are some of the problems which are coming before the League of Nations Assembly now in session at Geneva?

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